

Maurice Hinchey NEWS

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GOP TAX CUTS FISCALLY IRRESPONSIBLE, DANGEROUS TO NEW YORK'S ECONOMY *Hinchey Supports Alternative for Economic Stimulus*

WASHINGTON -- U.S. Rep. Maurice Hinchey (D-NY) today spoke out against the \$1.1 trillion House Republican tax cut package, which will dramatically increase the federal deficit and will fail to provide the short-term boost our economy needs. Hinchey harshly criticized Republicans for refusing to allow consideration of an alternative economic stimulus package that would give modest tax cuts to middle-income families and small businesses without deepening the federal debt.

"There's no denying the impact of the 2001 Republican tax cuts: we've lost more than 2 million manufacturing jobs, the value of the stock market has declined by 40 percent or nearly \$7 trillion, long term unemployment just hit its highest level in a decade, and local property and sales taxes are skyrocketing as a result of the dramatic transfer of tax responsibility from the federal government to the states that Bush has made a hallmark of his administration," said Hinchey. "All of these losses come in spite of the heroic efforts of the Federal Reserve to buoy the economy. Since Bush took office, the Fed has cut rates by an unprecedented five percentage points. With money this cheap, our economy ought to be shooting through the roof, but it continues to be stagnant as a result of the failed economic plan of this Administration and the Republican leadership in Congress. Our economy is now in serious danger of deflationary conditions."

According to the Tax Policy Center, 53 percent of taxpayers will receive a tax cut of less than \$100 as a result of the House Republican plan, while millionaires will receive more than \$93,000. The bill also includes provisions that will hurt working families, reducing the child tax credit from \$1000 per child in 2005 to \$700 in 2006, and will make temporary popular tax provisions, including marriage penalty relief and alternative minimum tax relief.

"Having failed miserably the first time, Republicans are back at it again with a more dangerous, more short-sighted plan than before. Instead of putting cash in the hands of low- and middle-income families, who will spend that money and generate economic growth, Republicans target dividend and capital gains tax cuts that overwhelmingly benefit the wealthiest Americans."

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The Republican package also has dire consequences for New York State's fiscal condition. The state is facing a \$12 billion deficit this year. Hinchey argued that much of this distress on the state budget has been caused by the Bush Administration's efforts to push costs for public services down to the state and local level.

"The reality of the Republican tax cuts for working families is that it's not really a tax cut at all. You just write a bigger check to a different level of government. New York, like many other states, is facing sharp increases in property taxes and sales taxes, which disproportionately impact working families. In this troubled economy, the federal government must take responsibility for states' fiscal condition. Instead of providing desperately needed assistance in this package, Republicans would only deprive New York of more revenue. The dividend tax cut alone will cost New York hundreds of millions of dollars."

Hinchey argued that the explosion of the federal deficit resulting from the GOP plan also jeopardizes critical long-term needs, like education and infrastructure investment. As we near the retirement of the Baby Boom generation, Hinchey expressed particular concern about our ability to deal with increased strain on our health care system. Medicare and Medicaid cuts put in place in 1997 have threatened the viability of hospitals across the country, as health care providers struggle with worker shortages and rising costs. Older Americans' financial security continues to be threatened by the lack of a prescription drug benefit under Medicare.

"We have urgent needs, particularly in health care, that are not being addressed. Republicans don't think that we ought to invest in improving our schools, modernizing the infrastructure of our communities, and protecting the environment. Instead of making sensible investments that improve our long-term economic stability, Republicans have put forward a plan that mortgages our children's future. Deficits are already at record levels and they will explode to \$2 trillion as a result of this plan. These deficits rob us of the ability to deal with future needs."

Hinchey fought for consideration of the Democrats' alternative economic stimulus plan, which he cosponsored. Without increasing the deficit, the Democratic package would:

- Enact middle-class tax cuts, including increasing the child tax credit to \$800 and speeding up marriage penalty relief;
- Provide \$32 billion in tax relief for small businesses to make new investments;
- Extend unemployment benefits to five million unemployed Americans;
- Provide \$44 billion in emergency assistance to states this year;
- Establish a permanent corporate tax deduction for businesses that create jobs in the U.S. and provide tax credits for hiring unemployed workers.

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"Perhaps the only thing that Democrats and Republicans agree upon is that the strong economy of the last decade has fallen apart and it needs help," Hinchey said. "Republicans talk a good game about giving the economy the boost it needs, but the reality is that only 11 percent of their tax cut plan would take affect this year. The Democratic plan puts cash in the hands of low- and middle-income families this year. It creates incentives for small businesses to invest and grow this year. It provides desperately needed financial assistance to states this year. It extends unemployment benefits for five million out of work Americans this year. And, the Democratic plan will create one million new jobs this year. This is the economic stimulus plan that will strengthen today's economy, but we won't even have the opportunity for a fair vote on the House floor."